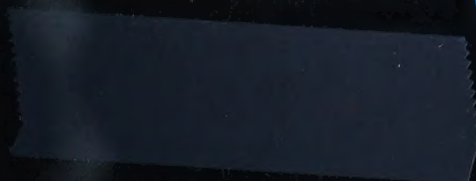


AR 71

Innovative Solutions in Exploration



SYNER-SEIS Technologies Inc.

1998 Annual Report

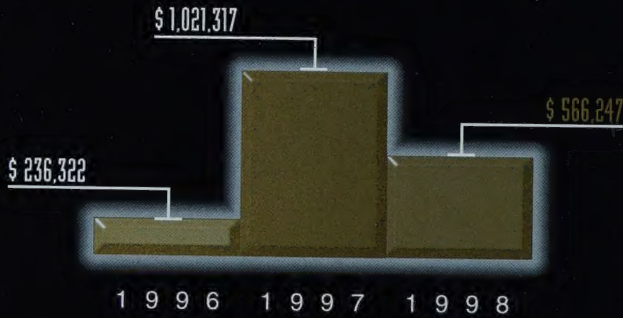
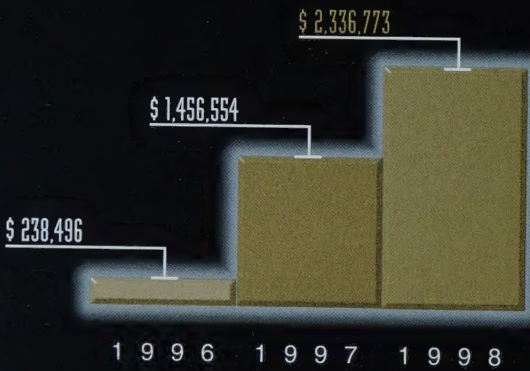


Mission Statement

To build and foster a dynamic enterprise of international scope and depth that, through the development and marketing of innovative technological products and services, is dedicated to creating opportunity and prosperity for our clients, employees and shareholders.

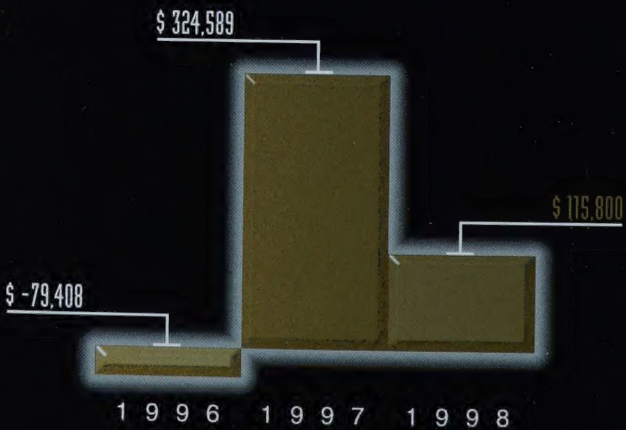
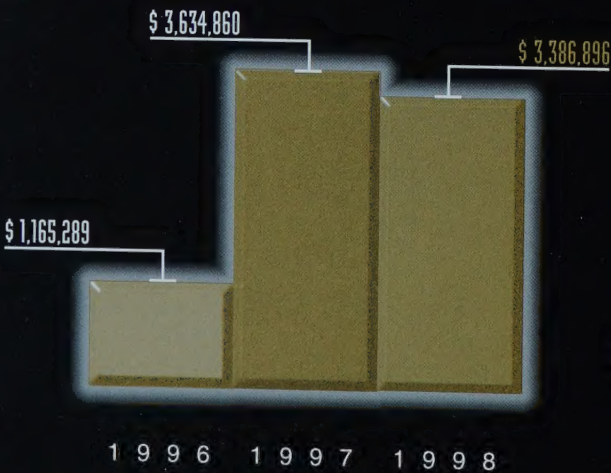
Financial Highlights

Annual Revenues



Current & Long Term Debt

Shareholder's Equity



Cashflow from Operations

The Year in Review

April 1998

SYNER-SEIS Technologies Inc. establishes a "Specialized Processing" division within the EI Processing structure in order to demonstrate the "*Olympus*" Seismic Data Processing System to local industry and to offer advanced solutions for effectively handling complex 2D and 3D seismic data.

June 1998

Oil commodity prices slide.

August 1998

SYNER-SEIS begins preliminary discussions with a Houston-based seismic processing company with the intention of expanding its operations into the US marketplace, with primary focus on the introduction of First Breaks Statics' specialized front-end solutions to the U.S. and international oil industry.

October 1, 1998

P. Dennis (Denny) O'Brien, former Vice-President of the **Advance Products Group of Landmark Graphics**, past President of the **CSEG**, former President and CEO of **Advance Geophysical** and former Executive Vice-President of **Green Mountain Geophysics**, joins **SYNER-SEIS's** Board of Directors and begins active participation in market development.

December 1998

SYNER-SEIS, in anticipation of a long-term industry slowdown, suspends preliminary discussions with regard to US/Houston expansion.

January 1, 1999

SYNER-SEIS amalgamates with its wholly owned subsidiaries and forms business units to continue to operate under the trade names of First Breaks Statics, Exploration Innovations and EI Processing. This amalgamation represents significant cost savings with regard to administrative functions.

February 1999

Due to business declines, **SYNER-SEIS** proceeds with the partial lay-off of First Breaks Statics personnel.

March 23, 1999

SYNER-SEIS announces a projected 4th quarter loss for fiscal 1998.

March 31, 1999

SYNER-SEIS announces a private stock purchase between Geoscience Integrated Inc. (majority shareholder) and P. Dennis (Denny) O'Brien (Board member) in the amount of 150,000 shares.

April 1999

Oil commodity prices begin to rebound.

April 29, 1999

SYNER-SEIS announces the purchase of the rights of ownership to the "*iBase³²*" data management software system from **Direct Digital Online Inc.** Originally developed by **Osprey Technologies Ltd.**, this software system is currently used by seven local major oil & gas exploration companies and **SYNER-SEIS** plans to use it as a catalyst for the sale of 'add-on' software packages.

May 5, 1999

SYNER-SEIS announces that it has acquired all of the issued and outstanding shares of **CADDies Ltd.**, a technology group with high levels of expertise in engineering and architectural Computer Aided Design & Drafting (CADD), Multimedia Visualization, GPS Surveying and Mapping, and Internet Applications.

May 12, 1999

SYNER-SEIS announces a new R & D division focused on Internet infrastructure and Internet product development, and announces the development of a new Geographical Information Mapping System.

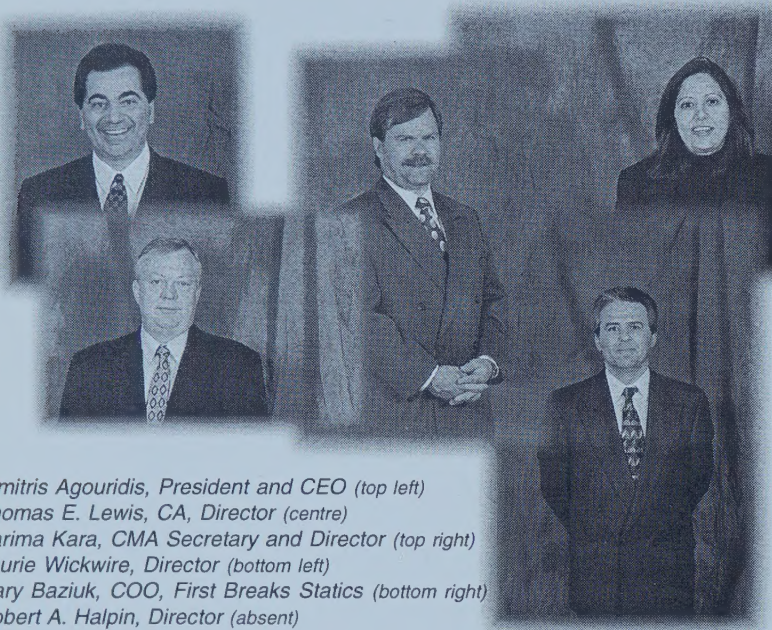
May 13, 1999

SYNER-SEIS announces the appointment of Mr. Paul Chernoff to the post of Processing General Manager for its EI Processing division. Mr. Chernoff's mandate will be to diversify and expand the company's capabilities in marine and foothills-type structural data processing and to create market awareness for **SYNER-SEIS's** technological infrastructure.

May 17, 1999

SYNER-SEIS announces the appointment of Mr. Denny O'Brien to the positions of Chairman of the Board of Directors and Chief Operating Officer for U.S. Operations. Mr. O'Brien's active participation and leadership is expected to create international market opportunities and to help establish **SYNER-SEIS** in the U.S. market.

Letter from the President



Dimitris Agouridis, President and CEO (top left)
Thomas E. Lewis, CA, Director (centre)
Karima Kara, CMA Secretary and Director (top right)
Laurie Wickwire, Director (bottom left)
Gary Baziuk, COO, First Breaks Statics (bottom right)
Robert A. Halpin, Director (absent)

This year has been full of challenges for **SYNER-SEIS**; indeed, the entire oil exploration industry. Based on our 1997 financial results and our first quarter figures, 1998 was shaping up to be a banner year and we projected increased revenues, cash flow and net income. Our projections, however, had not factored in plummeting oil prices and their subsequent impact on the oil exploration industry.

Financially, we were prepared for it; **SYNER-SEIS** remains relatively debt free with a strong cash position. A reduction in administrative costs due to corporate restructuring, the advent of a low cost acquisition and the downsizing of certain service personnel have allowed **SYNER-SEIS** the flexibility and the resources to ride out the downturn.

Despite the economic state of the oil industry, **SYNER-SEIS** has proceeded with its business plan and innovative growth model while keeping a cautious eye on day to day costs and capital expenditures.

One of our main objectives in 1998 was the establishment of a "specialized" seismic processing group whose primary focus would be providing solutions for difficult seismic data cases using our proprietary 'Olympus' technology. Full systems implementation has been completed and to prove the depth of its expertise, our specialized group successfully processed numerous challenging seismic data sets for a number of major Canadian exploration companies. Its new General Manager, Paul Chernoff, will direct future expansion of this division. Mr. Chernoff, an industry professional with over 20 years experience, is possessed of excellent service management skills and superior technical abilities, particularly with respect to structural and marine seismic data. It is expected that Mr. Chernoff's addition to our management team will also facilitate our continuing research & development of seismic software for the removal of multiples and coherent noise from marine seismic data.

Technology continues to fuel the corporation's growth; this is evidenced by our recent acquisition of the 'iBase³²'/Osprey data management software. This acquisition completes a 'total solutions' Data Management, Processing & Interpretation Environment that utilizes the "Olympus" proprietary technology,

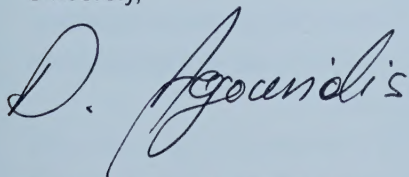
and will be marketed as the 'Olympus System'. Our R&D team has completed the development of the Geographical Information (GI) Mapping System, an add-on product for the Olympus Seismic Data Management System and this will be marketed, initially, to existing clientele. The Company has also established a new Research & Development group focused on the development of new Internet technology infrastructure and Internet applications.

During the past year, **SYNER-SEIS** modified its growth model to include expansion via acquisition in technology sectors other than oil & gas. Recently, we were successful in acquiring **CADDies Ltd.**, a technology group with expertise in Computer Aided Drafting & Design, Multimedia Applications, Visualization Techniques, Urban Data Management and Archiving, GPS Data Acquisition and Processing, and Internet Applications. Strong synergies between **SYNER-SEIS** and **CADDies** were perceived immediately; the technologies and services provided by **CADDies** can be easily adapted to expand **SYNER-SEIS's** product line, and our existing technical, marketing and management expertise will allow **CADDies** to grow aggressively and to penetrate new market sectors. We anticipate tremendous growth in all the **CADDies** product lines, particularly in Multimedia Design & Visualization and GPS Mapping.

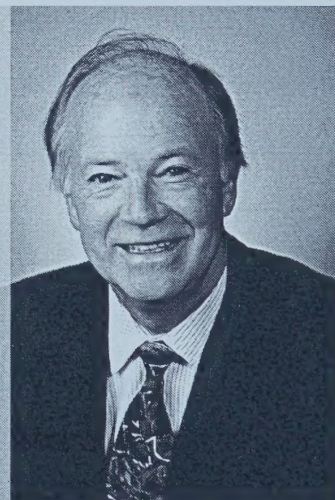
Finally, the Board of Directors has appointed one of our current Directors, Mr. Denny O'Brien, to the position of Chairman of the Board and Chief Operating Officer for U.S. Operations. With his strong links to the U.S. oil exploration market and his experience in all facets of the seismic industry, Mr. O'Brien's mandate is to expand the Corporation's service base within both the U.S. and international marketplaces.

In closing, I believe that **SYNER-SEIS** has performed well in the last year and we are well prepared to stay the course until the anticipated oil industry turnaround later this year. We look forward to gains in revenues from seismic processing in late 1999 and in year 2000. In the new millenium, we will continue to seek out complementary technology acquisitions and to expand our technological base.

Sincerely,



Dimitris Agouridis, President
SYNER-SEIS Technologies Inc.



P. Dennis O'Brien, Chairman of the
Board, Chief Operating Officer for
U.S. Operations
SYNER-SEIS Technologies Inc.

THE SYNER-SEIS GROUP OF COMPANIES AND THE Y2K CHALLENGE

The "Millenium Bug" or the "Y2K Challenge" refers to a simple supposition by early software developers to imply the '19' prefix on any year date thus saving two data spaces (precious storage space amidst early computing) with each date entry. "Y2K compliant" refers to the ability of computer hardware and software to correctly recognize and to generate data based on a two digit date code (say '02', correctly interpreted to be 2002); or a four digit date code.

The SYNER-SEIS Group of Companies includes:

- » SYNER-SEIS Technologies Inc.,
- » Operating divisions and subsidiaries,
 - » First Breaks Statics;
 - » Exploration Innovations;
 - » EI Processing;
 - » EI Specialized Processing; and
 - » CADDies Ltd.

Each subsidiary or division relies on a diverse collection of hardware platforms, operating systems, commercial third party applications and in-house custom development software.

SERVICE OVERVIEW

The SYNER-SEIS Group of Companies (with the exception of CADDies Ltd.) provide seismic services to clients based on earth science data; any calculations or processing of that data is based on scientific calculations on coordinate data from three dimensions with respect to velocities and *real time, not calendar date*. It can therefore be suggested that the processing of seismic data, by its very nature, cannot be affected by the "Millenium Bug". Unfortunately, the same cannot be said for the hardware, software and operating systems used in processing applications.

THIRD PARTY TECHNOLOGIES

We have received communications from all our technology vendors with respect to their products' vulnerability to Y2K.

In-house testing has identified several non-compliant software packages and compliant versions, updates and/or patches have been requested from the pertinent suppliers. Compliant versions for certain Paradigm and Landmark products are scheduled to be released no later than the end of the second quarter of 1999.

It is anticipated that the SYNER-SEIS Group, due to its reliance on the release of third party compliant software, will achieve total software Y2K compliance by end of the Q2 1999.

PROPRIETARY SOFTWARE / R & D

Our in-house Research & Development is virtually unaffected by the 'Millenium Bug'. The operating systems of our development and application machines recognize the Year 2000 as 1970 and while this is inconvenient, it in no way affects the functionality of our products. Our development machines are in the process of being upgraded and once complete, compliance will be achieved.

SYNER-SEIS has recently purchased the rights to a software package known as "**iBase³²**"/**Oprey** data management software. This software is used in the management and maintenance of seismic data within certain database(s) and also has the ability to view **TIFF** files (images) of various seismic activities. The product runs on Intel x386 and higher (as well as compatibles of similar genres).

Due to the oncoming millenium, tests have been conducted on "**iBase³²**"/**Oprey** data management software to ensure Y2K compliance. The following points will demonstrate the product's compliance.

- » The product has the capability for using four-digit years.
- » The product's database has the capability to convert four-digit years to two digits and back again seamlessly.
- » Data that is entered by the user is static within the database until another user manipulates that data; the data itself does not affect the program or system.

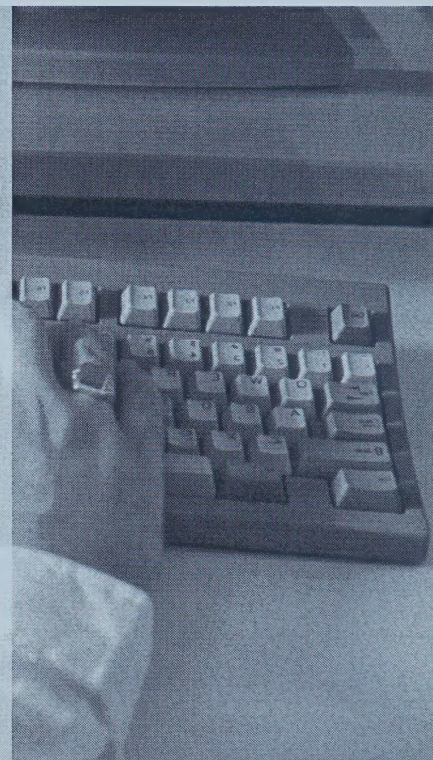
All future enhancements to "**iBase³²**" will be Y2K compliant.

HARDWARE

As with our technology vendors, we have contacted our hardware suppliers and requested assessments of the Y2K vulnerability of their systems and/or products currently in use by any of the SYNER-SEIS Companies.

With the exception of particular Sun Microsystems hardware (used in proprietary software development), all of our workstations and stand-alone PCs are Y2K compliant. The Sun systems in question are scheduled to be replaced within the next 12 months and will not prove to be an obstacle to the continuing development and improvement of the "**OLYMPUS**" Seismic Processing System.

We expect to be completely Y2K compliant by June 30, 1999 and we have scheduled the implementation of a full system test by that date.



ADMINISTRATIVE FUNCTIONS

In order to provide our customers and clients with high quality seismic processing products and services, it is critical that we be able to operate our office efficiently and effectively without being hampered by Y2K problems and obstacles.



To that end, we are in the process of contacting our major suppliers (beyond technology and hardware providers) to assess their Y2K vulnerability. It is anticipated that the inability of some third party suppliers to become Y2K compliant by the Year 2000 will have little or no effect on our ability to effectively conduct business as usual. We are, however, setting up contingency plans with secondary suppliers to ensure a smooth transition into the new millenium.

Our administrative functions, comprising accounting (including historical information from 1995 through 1999), word processing, communications and data delivery systems are now Y2K compliant.

CADDies Ltd.

In an effort to provide its clients with the highest levels of service and dependability, CADDies Ltd. has tested and updated the following systems to Y2K compliance:

- » 3-Dimensional Visualization & Multimedia Production Software;
- » Document Management Software; and
- » All Database systems

The follow items are in the process of being updated to Y2K compliance:

- » Computer hardware is in the process of upgrading and is currently at 40% completion. CADDies Ltd. has targeted September 1, 1999 for full compliance;
- » 3-Dimensional Design / Drafting Systems will be 100% compliant by June 1, 1999; and
- » All Windows 98 and Windows NT will be updated by September 1, 1999

CADDies Ltd. has been testing its systems over the last six months. To date, no problems have been found that would affect the productivity or functionality of its systems. On September 10, 1999, all systems will be tested again to ensure a smooth transition into the new millenium.

SYNER-SEIS TECHNOLOGIES INC.

SYNER-SEIS Technologies Inc. ("STI") is a technology and services company that utilizes its proprietary geophysical software to deliver innovative seismic data processing, management and interpretation services and products to the oil and gas exploration industry. STI's core technology consists of the '*Olympus*' desktop system, which operates on either **UNIX** based or **PC NT Windows** platforms. The recent acquisition of the "*IBase³²*"/**Osprey** Data Management Software completes a 'total solutions' Data Management, Processing & Interpretation Environment that utilized the "*Olympus*" proprietary technology.

STI maintains a strong R&D department, enabling it to quickly adapt or tailor the technology to a particular client's needs and to provide in-house support to its service divisions. STI has three operating divisions that provide seismic data processing and related services. Each division, Exploration Innovations (EI), EI Processing (EIP) and First Breaks Statics (FBS) has particular areas of expertise and each utilizes industry standard software for which STI has designed complementary software to provide innovative solutions for more difficult data sets.

The range of services offered by STI through its divisions has allowed it to test and improve its proprietary technology through constant and diversified application resulting in constant innovation and market exposure.

STI also operates EI Specialized Processing ("EISP"), a division of EI Processing that is dedicated to providing solutions to specialized seismic data problems. Proving the depth of its expertise, EISP has successfully processed problem seismic data for several major Canadian exploration companies. In addition to its ongoing research and development activities, EISP lends its services to FBS, EIP and EI, when clients of those divisions have need of non-conventional or tailored approaches.

EXPLORATION INNOVATIONS

Exploration Innovations, our interpretation division, offers its clients state of the art facilities and software to interpret and model seismic data. Clients include small to medium size oil and gas exploration companies with offices in Calgary and independent geophysical consultants doing business in Calgary's dynamic oilpatch.

Exploration Innovations has expanded its product line to include geophysical, geological and production modeling services, as well as training, mapping and system support. Offering its clients a full suite of software packages from Paradigm, Landmark and Panther, Exploration Innovations maintains a staff of technical specialists, (augmented by our in-house R&D division) to load client data and to aid in the use of the workstations and software. Workstation rentals and related services are available to clients on an hourly basis. Exploration Innovations has successfully built its business around the trend within the industry to contract out services in search of lower costs and greater flexibility, becoming a real "technology boutique."

Further expansion of the Exploration Innovations product line is planned to be accomplished via Internet applications developed in-house and new PC based application software.

EI PROCESSING

Our EI Processing Division offers both 2D and 3D seismic data processing to the oil and gas industry in Canada and abroad. We are currently expanding into Marine Processing using proprietary software and parallel system design and into structural data processing using our Imaging technologies. Apart from its successes in the Canadian oil and gas industry

centered in Calgary, inroads have also been made into processing work from North Africa and China, in part due to the specialized solutions available for the more difficult data sets now being encountered by exploration companies worldwide.

The technology utilized for conventional processing outputs is the industry standard Paradigm Geophysical (CogniSeis) FOCUS/DISCO software, which has been augmented for specialized processing tasks through integration of the proprietary 'Olympus' seismic processing software owned and developed by STI.

Unique to EIP, processing solutions have been developed to enhance 2D and 3D data by accurately separating the easily predictable signal from the unpredictable noise. To meet the challenges of Random Noise, Multiple Reverberations, Low Frequency Linear and Dispersive Noise in the data, EIP utilizes a suite of comprehensive specialized applications providing a noise free section for interpretation, inversion and AVO which can then be applied to data at either pre or post-stack domain.

EIP personnel are widely trained and experienced, providing high quality services and thus securing for the company a stable client base. Further setting EIP apart from its competitors is the leading edge R&D facilities provided by its affiliation with STI, and the Specialized Processing division of STI stationed in-house. The benefit to EIP and its client is rapid and effective innovation on a competitive cost basis.

FIRST BREAKS STATICS

Our First Breaks Statics Division specializes in 2D and 3D front-end seismic processing using conventional seismic processing software licensed from *Green Mountain Geophysics* and augmented through in-house applied R&D. With the added technological advantages of our proprietary *Olympus* software, FBS offers significant improvements to the conventional quality control utilities and computerized methodologies. The 'Olympus' seismic processing software is supported by the R&D team resident in-house at STI, enabling FBS to offer rapid and innovative solutions virtually upon demand.

Tailored services include geometry definition, verification, first break picking, statics calculation, and trace editing. By utilizing the production capabilities of the software array, dedicated workstation and server computing power, and its highly experienced staff, FBS obtains results of consistently high quality, speed and cost-effectiveness. For these reasons and others, FBS has won the patronage of such industry majors as Amoco and Chevron.

CADDies LTD.

CADDies Ltd., our newest acquisition, is a growing enterprise conducting business on several fronts: Development and implementation of computer based design and modelling technology for the architectural, development, engineering and manufacturing sectors; Multimedia design and production services; Urban data management systems and services; Location/mapping services for government and industry through its **CANADIAN LOCATORS** Division; and Internet related design and other services

We consider **CADDies** to be another "technological hub" (similar to "*Olympus*") that can provide significant growth potential using **SYNER-SEIS's** acquisition business growth model. The technologies and services provided by **CADDies** will be utilized to expand the products and services offered by **SYNER-SEIS** and its divisions, and the resources and expertise which are resident at **SYNER-SEIS** will afford **CADDies** the opportunity to grow at an accelerated rate and to penetrate new market sectors.

Management Discussion & Analysis of Operating Results

In a year when oil prices dropped 40% compared to their peak in late 1997, SYNER-SEIS's revenues for the year ending December 31, 1998 increased by 60% to \$2,336,773 as compared to the same period in 1997. By the end of the June of 1998, SYNER-SEIS had achieved the forecasted targets for the first half of the year that, upon later analysis, represents 70% of our total sales for 1998. This dramatic drop in potential revenue was a direct result of the dramatic drop in oil commodity prices in the third and fourth quarters of 1998.

Oil & gas service sector revenues are contingent on the level of activity in the oil & gas exploration industry, as such, our seismic revenues are directly tied into the expenditures made by oil companies in acquiring, processing and reprocessing seismic data. When oil prices are low, expenditures on seismic data acquisition are usually the first to be frozen. As a means of reducing costs, exploration budgets for oil exploration companies become focused on the reevaluation of existing land permits and the reprocessing of existing seismic data. Recognizing that the reprocessing of complex and difficult data would become a niche market, SYNER-SEIS established a specialized processing division in order to market, promote, and capitalize on the unique qualities of the "Olympus" proprietary technology.

The Company marketed aggressively and all the technical personnel, especially the President of the Company, were heavily involved in processing difficult data. A distributed system was established for the "Olympus" technology that enabled us to process difficult data in an efficient and effective manner. Based on the merits of our technology, we established a wide range of new clients for our EI Processing division.

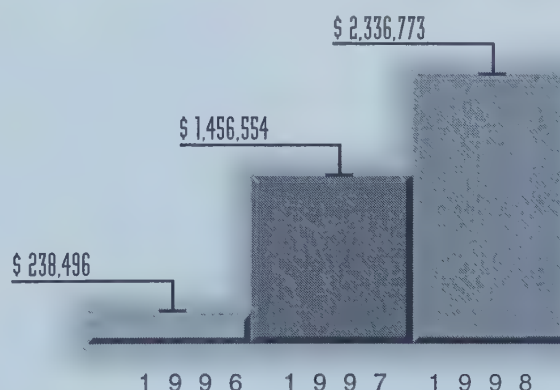
SYNER-SEIS has further identified the processing of marine seismic data as a key pillar of corporate expansion. Marine seismic data acquisition, due to its tremendous start-up costs and the financial commitment required by the exploration

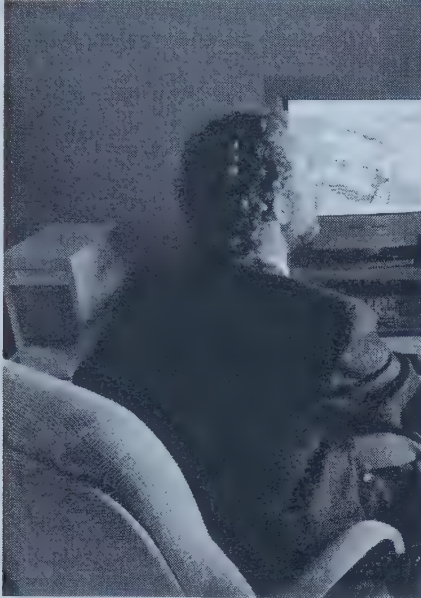
Results of Operation

Year Ending December 31,
(thousands of dollars)

	1998	1997
Revenues:	2336.8	1456.6
Expenses:		
Operating	2221.0	1,132.0
Cash Flow From Operations	115.8	324.6
Amortization	295.9	136.9
Income (Loss) from Operations	(180.1)	187.7

Annual Revenues





companies involved, is less impacted by oil commodity pricing than is land data acquisition.

Recently, Mr. Paul Chernoff, a well known and seasoned Seismic Processing Manager with notable experience in marine & structural seismic data processing, has been engaged to head our EI Processing division. He has joined us based on the merits and potential of "Olympus" with a mandate to expand into marine and structural data processing and to further market awareness of the technological advantages of the "Olympus" system.

As part of its diversification strategy, SYNER-SEIS has been actively investigating geographic expansion into the US market. In the view of management, regional markets such as Denver, Calgary, and New Orleans are usually hit first in an industry slowdown, while larger 'international' markets such as Houston are impacted more slowly and less dramatically.

In order to provide greater focus and penetration in relation to the U.S. market overall, the Board of Directors of SYNER-SEIS recently appointed Mr. Denny O' Brien as Chairman of the Board and as Chief Operating Officer for U.S. Operations. Mr. O'Brien is a U.S. resident, based in Denver, with tremendous experience and very strong links in the U.S. market.

Another pillar of expansion and diversification is the acquisition of Calgary based CADDies Ltd., a relatively small but multi-faceted "technology hub" revolving around the AutoCAD software sector. In the view of management, the acquisition of CADDies will allow SYNER-SEIS to expand its services and applications to peripheral technologies and sectors, while at the same time cross-marketing additional products and services to its existing clients.

In respect of CADDies, management anticipates significant growth in the areas of Multimedia, Urban Data Management, and Internet Products, all of which encompass products and services which CADDies already has brought to market. Also of note, CADDies has various products and services in the development stage.

Also in April, 1999, SYNER-SEIS acquired an existing Seismic Data Management System which is already established in the Calgary market (the *Osprey Seismic Data Management System*). The system was previously developed by OSPREY TECHNOLOGIES LTD., and was acquired by SYNER-SEIS from DIRECT DIGITAL ONLINE INC.

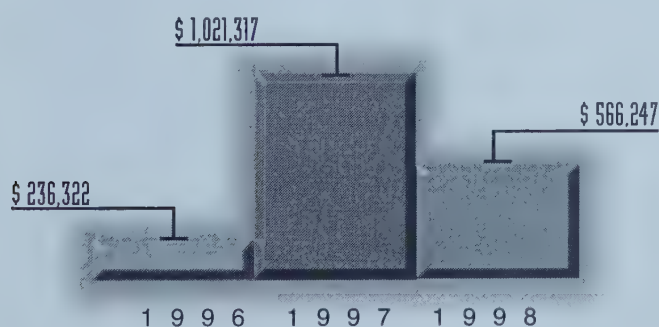
The acquisition was favorably structured, being royalty based and with nominal initial cash outlay, and provides SYNER-SEIS immediate access to new clients and markets. The Company plans to use the existing *Osprey* system as a stepping stone to market and sell numerous add on products to the user(s) of this data management system.

Also of note, the Company is committed to becoming an important provider of Internet based services for the Oil a& Gas Industry, and to that end has assembled a development team dedicated to this goal.

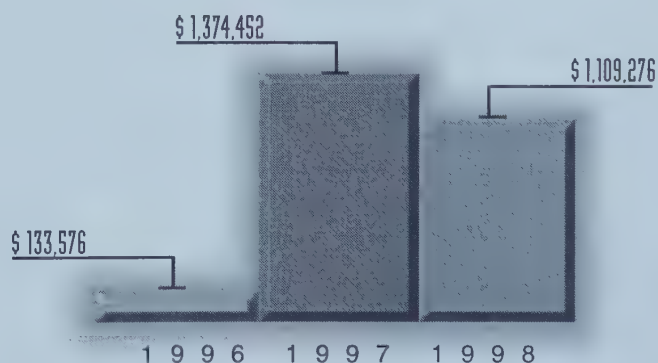
Total operating expenses for 1998 increased 96% to \$2,220,973 compared to the same period in 1997. Some of the costs increased as a result of the increased operations; however, a portion of the costs were primarily due to increased infrastructure. This infrastructure was largely maintained throughout 1998, a decision made by management in keeping with the Company's corporate growth objectives. An important strategic goal of SYNER-SEIS is to grow at a fast pace. Thus, while the industry environment featured decreasing commodity prices, revenues and expenditures, our management strategy was to maintain personnel infrastructure in recognition of the fact that it generally requires a lead time of 8-12 months to recruit and train staff in the seismic processing industry, and thus a significant loss of efficiency and capacity occurs from any significant layoff of personnel.

Amortization for 1998 increased by 116% to \$295,895 compared to the same period in 1997. Almost all of the increase was due to the amortization of hardware and software for our EI Processing and Exploration Innovation divisions. These divisions were acquired in late 1997 and therefore there were only two months of amortization included in SYNER-SEIS's 1997 Audited Financial Statements. Also all the hardware costs incurred prior to 1998 were written off from our deferred development costs.

Current & Long Term Debt



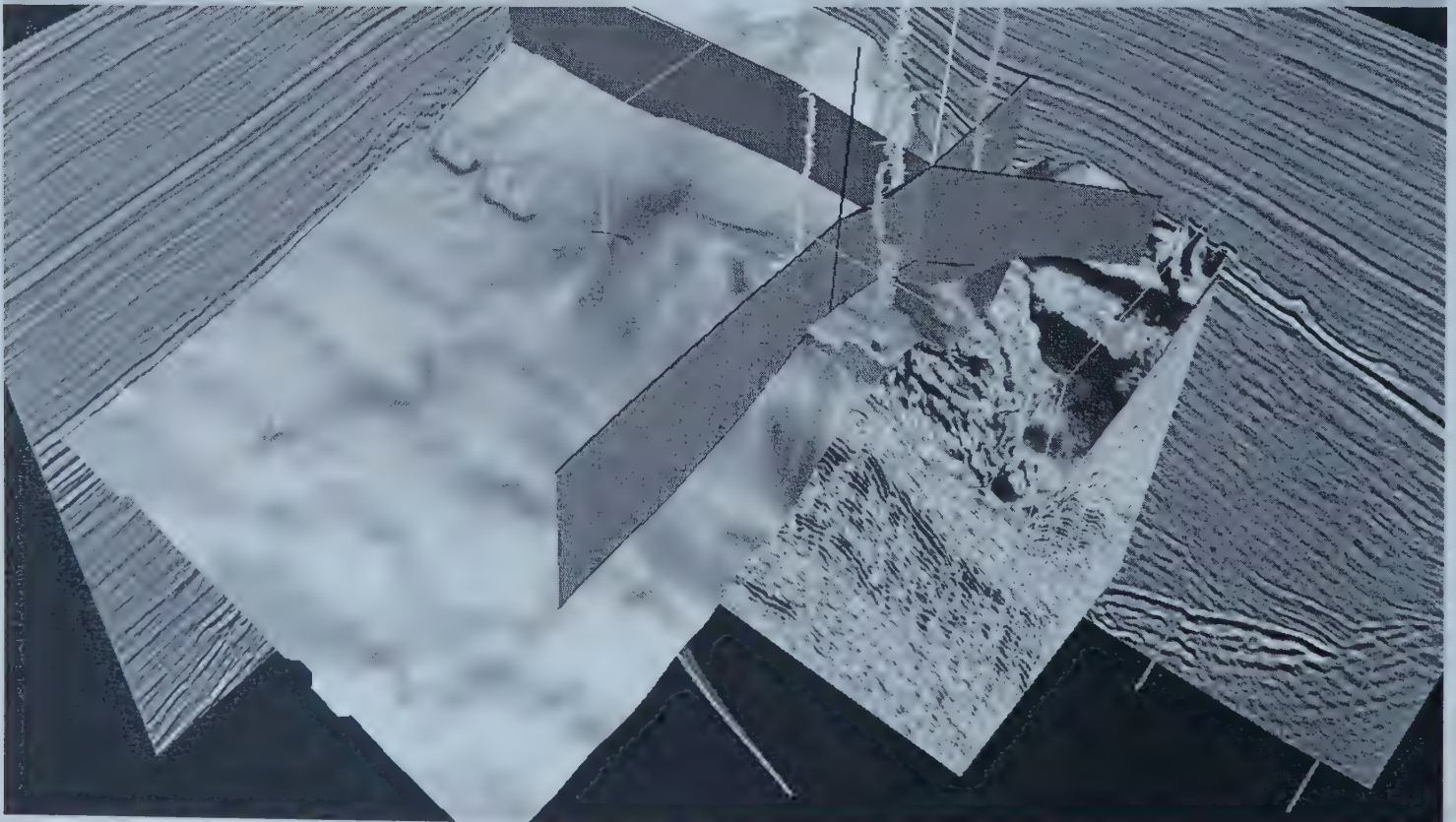
Cash Position



Despite certain revenue trends, SYNER-SEIS remained in a strong cash position. In 1998, the Company paid off \$169,980 in long term debt, and raised \$78,616 from the exercise of options. At the same time, SYNER-SEIS incurred \$315,493 in deferred development costs and purchase of hardware to enhance its technological edge/proprietary *Olympus* technology.

In looking forward to the future, management of SYNER-SEIS strongly believes that the Company is poised to take advantage of the turnaround in commodity prices, and to see gains in revenues from the seismic processing services. Coupled with the various diversification pillars discussed above, management is confident of significant increases to revenues, profits and shareholder equity in the future.

The reader should note that this report contains statements that by their nature are forward-looking and involve risks, uncertainties and unknown factors that the Company cannot control, and which might cause the results and performance of the Company to be different than expected.



Auditor's Report

TO THE SHAREHOLDERS OF SYNER-SEIS TECHNOLOGIES INC.

We have audited the consolidated balance sheets of **Syner-Seis Technologies Inc.** as at December 31, 1998 and 1997 and the consolidated statements of operations and (deficit) retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.



Calgary, Alberta
April 23, 1999

CHARTERED ACCOUNTANTS

SYNER-SEIS TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

	1998	1997
ASSETS		
CURRENT		
Cash	\$1,109,276	1,494,452
Accounts receivable	408,567	595,935
Notes receivable (Note 6)	120,000	220,000
Prepays	33,858	28,777
	<u>1,671,701</u>	<u>2,339,164</u>
DEFERRED DEVELOPMENT COSTS (Note 7)	1,273,520	1,234,072
CAPITAL (Note 8)	578,362	707,146
OTHER (Note 9)	587,098	662,097
	<u>\$ 4,110,681</u>	<u>4,942,479</u>
LIABILITIES		
CURRENT		
Revolving line of credit (Note 10)	\$ -	120,000
Accounts payable	346,121	511,211
Current portion of long term debt	120,992	180,144
	<u>467,113</u>	<u>811,355</u>
LEASE INDUCEMENT	12,908	16,100
LONG TERM DEBT (Note 11)	99,134	209,962
DEFERRED INCOME TAXES	144,630	270,202
	<u>723,785</u>	<u>1,307,619</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 12)	3,695,884	3,618,580
(DEFICIT) RETAINED EARNINGS	(308,988)	16,280
	<u>3,386,896</u>	<u>3,634,860</u>
	<u>\$ 4,110,681</u>	<u>4,942,479</u>

APPROVED ON BEHALF OF THE BOARD:



Dimitris Agouridis, Director



Karima Kara, Director

SYNER-SEIS TECHNOLOGIES INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND (DEFICIT) RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31**

	1998	1997
REVENUE	\$ 2,336,773	1,456,554
EXPENSES		
Operating	2,159,675	1,055,333
Royalties	42,934	71,947
Interest on long-term debt	18,364	4,685
Amortization	295,895	136,856
	<u>2,516,868</u>	<u>1,268,821</u>
(LOSS) INCOME FROM OPERATIONS	<u>(180,095)</u>	<u>187,733</u>
Write down of note receivable	(100,000)	-
Write down of deferred development costs	<u>(169,689)</u>	<u>-</u>
	<u>(269,689)</u>	<u>-</u>
(LOSS) INCOME BEFORE INCOME TAXES	<u>(449,784)</u>	<u>187,733</u>
RECOVERY (DEFERRED INCOME TAX)(Note 13)	<u>124,516</u>	<u>(105,933)</u>
NET (LOSS) INCOME FOR THE YEAR	<u>(325,268)</u>	<u>81,800</u>
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>16,280</u>	<u>(65,520)</u>
(DEFICIT) RETAINED EARNINGS AT END OF YEAR	<u>\$ (308,988)</u>	<u>16,280</u>
NET (LOSS) INCOME PER SHARE	<u>\$ (0.03)</u>	<u>0.01</u>

SYNER-SEIS TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31

	1998	1997
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) income for the year	\$(325,268)	81,800
Add items not involving a current cash outlay		
Write down of notes receivable	100,000	-
Write down of deferred development costs	169,689	-
Amortization	295,895	136,856
(Recovery) deferred income tax	(124,516)	105,933
Cash flow from operations	115,800	324,589
Net change in working capital balances related to operating activities	14,004	(211,087)
	129,804	113,502
FINANCING ACTIVITIES		
Proceeds on issue of common shares	78,616	2,057,221
Share issue costs	(2,368)	(147,996)
Proceeds from long-term debt	-	62,089
Repayment of long-term debt	(169,980)	(18,901)
Issue of shares on acquisition of subsidiaries	-	140,000
Proceeds on issue of special warrants	-	30,000
Repayment of advances from shareholder	-	(102,340)
	(93,732)	2,020,073
INVESTING ACTIVITIES		
Purchase of capital assets	(91,529)	(151,654)
Deferred development costs	(223,964)	(162,326)
Deferred costs	(54,815)	(32,685)
Notes receivable	-	(220,000)
Net assets acquired on acquisition of subsidiary	69,060	(326,034)
	(301,248)	(892,699)
(DECREASE) INCREASE IN CASH RESOURCES	(265,176)	1,240,876
CASH RESOURCES AT BEGINNING OF YEAR	1,374,452	133,576
CASH RESOURCES AT END OF YEAR	\$1,109,276	1,374,452
CASH FLOW PER SHARE FROM OPERATIONS	\$0.01	0.04
CASH RESOURCES COMPRISED OF:		
Cash	\$1,109,276	1,494,452
Revolving line of credit	-	(120,000)
	\$1,109,276	1,374,452

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

NOTE 1 NATURE OF BUSINESS

The Company was incorporated under the Business Corporations Act of Alberta on January 8, 1996. The business of the Company is to develop and market seismic data processing services and products to the domestic and international oil and gas industry as well as the data acquisition and data processing industries. The Company's shares were listed on The Alberta Stock Exchange on May 21, 1997.

NOTE 2 BASIS OF CONSOLIDATION

These financial statements include the operations of Syner-Seis Technologies Inc. and its wholly owned subsidiaries 593842 Alberta Ltd., First Breaks Statics Inc. 400444 Alberta Ltd., Exploration Innovations Inc. and EI Processing Inc.

NOTE 3 MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES

(a) Capital Assets

Capital assets are stated at cost less amortization on the declining balance basis at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%
Computer software	30%

(b) Deferred Development Costs

Deferred development costs relate to the acquisition and development of geophysical software which in management's opinion has a clearly defined future market. These costs include related remuneration, computer equipment and other expenditures.

Computer equipment purchased prior to 1998 was written-off to amortization expense in 1998 and computer equipment purchased in 1998 and subsequent years is amortized on the declining balance basis at an annual rate of 30%.

Costs related to the development of software applications that are specific to a particular computer operating system are amortized on the straight-line basis over four years commencing in 1998.

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to the development of software libraries that can be used on multiple computer operating systems are reviewed for impairment by management annually and the costs of libraries no longer used are written off to operations.

The Company is in the process of applying for research and development investment tax credits based on management's best estimate of qualifying expenditures. Revenue Canada is assessing the claim and as a result, no adjustment for investment tax credits will be made until the claim has been accepted.

Research costs are expensed as incurred:

- (c) Goodwill
Goodwill consists of the excess of amounts paid over the net assets of business acquisitions, and is stated at cost. Amortization is charged at 10% per annum on the straight line basis.
- (d) Deferred Costs
Deferred costs relate to the possible acquisition of a company. On closing, these costs will form part of the cost of acquiring the company or will be written off if the acquisition plan is abandoned.

NOTE 5 ACQUISITION OF SUBSIDIARIES

Effective October 31, 1997, Syner-Seis Technologies Inc. acquired all the issued and outstanding shares of 400444 Alberta Ltd., Exploration Innovations Inc., and EI Processing Inc., a group of companies involved in the interpretation and processing of seismic data.

The results of operations of these subsidiaries have been included in the financial statements since the date of acquisition and the transactions have been accounted for using the purchase method.

A summary of the fair market value of net assets acquired and consideration given is as follows:

Current assets	\$ 343,913
Capital and other assets	569,631
Goodwill	209,385
	<u>1,122,929</u>

Less:

Bank indebtedness	120,838
Current liabilities	433,877
Long-term debt	<u>298,018</u>

NET ASSETS ACQUIRED \$ 270,196

CONSIDERATION GIVEN

Cash	\$ 25,000
Shares	140,000
Assumption of private loan	75,000
Acquisition costs	<u>30,196</u>
	<u>\$ 270,196</u>

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

NOTE 6 NOTES RECEIVABLE

Note receivable bearing interest at 8% per annum, due November 17, 1998 and secured by 130,000 shares of the Company (net of allowance).

Note receivable, unsecured, non-interest bearing due on demand.

	1998	1997
Note receivable bearing interest at 8% per annum, due November 17, 1998 and secured by 130,000 shares of the Company (net of allowance).	\$100,000	200,000
Note receivable, unsecured, non-interest bearing due on demand.	20,000	20,000
	<u>\$120,000</u>	<u>220,000</u>

NOTE 7 DEFERRED DEVELOPMENT COSTS

		1998		1997
	Cost	Amortization	Write-Off	Net Book Value
Software - applications	\$ 60,292	7,537	-	52,755
- libraries	1,193,656	-	-	1,193,656
Computer equipment	201,582	4,784	169,689	27,109
	<u>\$1,455,530</u>	<u>12,321</u>	<u>169,689</u>	<u>1,273,520</u>

NOTE 8 CAPITAL ASSETS

		1998		1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment under capital lease	\$62,089	25,145	36,944	52,776
Furniture and fixtures	97,295	63,192	34,103	34,232
Computer equipment	601,414	280,876	320,538	388,096
Computer software	336,617	149,840	186,777	232,042
	<u>\$ 1,097,415</u>	<u>519,053</u>	<u>578,362</u>	<u>707,146</u>

NOTE 9 OTHER ASSETS

		1998		1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Goodwill	\$ 607,542	125,844	481,698	611,512
Other	17,900	-	17,900	17,900
Deferred costs	87,500	-	87,500	32,685
	<u>\$ 712,942</u>	<u>125,844</u>	<u>587,098</u>	<u>662,097</u>

During 1998, cost of goodwill was reduced by \$69,060 as certain liabilities of an acquired company were determined to have been forgiven, thereby increasing the net assets acquired and reducing the related goodwill.

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

NOTE 10 REVOLVING LINE OF CREDIT

The revolving line of credit has a maximum of \$200,000, bears interest at prime plus 1.25% per annum and is secured by a general security agreement covering the assets of certain subsidiaries.

NOTE 11 LONG TERM DEBT

	1998	1997
IBM Quicklease payable in monthly instalments of \$1,613 including interest at approximately 7.7% per annum maturing July 2001 and secured by computer hardware.	\$ 45,638	60,678
Demand term bank loans payable in monthly instalments of \$8,745 plus interest ranging from prime plus 1 1/2 - 2% per annum secured by a general security agreement covering the assets of EI Processing Inc. and Exploration Innovations Inc.	159,488	264,428
Private loan payable in monthly instalments of \$5,000 plus 8% interest per annum commencing March 15, 1998 secured by a promissory note and second general security agreement covering the assets of EI Processing Inc. and Exploration Innovations Inc.	15,000	65,000
	220,126	390,106
Less current portion	(120,992)	(180,144)
	<u>\$ 99,134</u>	<u>209,962</u>

NOTE 11 LONG TERM DEBT (continued)

Principal payments over the next three years are as follows:

1999	\$120,992
2000	84,361
2001	14,773
	<u>\$ 220,126</u>

NOTE 12 SHARE CAPITAL

(a) Authorized

Unlimited number of voting common shares

Unlimited number of non-voting common shares

Unlimited number of preferred shares, issuable in one or more series with the directors authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to each series of share

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 12 SHARE CAPITAL (continued)

(b) Issued

	1998		1997	
	Number of Shares	\$	Number of Shares	\$
Common Shares				
Balance at beginning of year	9,455,714	\$ 3,618,580	6,284,400	\$ 1,080,348
Issued for				
Cash	-	-	902,478	1,183,547
Exercise of special warrants	-	-	559,600	259,040
Exercise of Series A warrants	-	-	241,262	241,262
Exercise of Series B warrants	5,500	8,250	166,400	249,600
Exercise of options	137,999	70,366	150,666	75,334
Acquisition of subsidiaries	-	-	50,908	140,000
Initial public offering	-	-	1,100,000	550,000
	<u>9,599,213</u>	<u>3,697,196</u>	<u>9,455,714</u>	<u>3,779,131</u>
Special Warrants				
Balance at beginning of year	-	-	499,600	229,040
Issued for cash	-	-	60,000	30,000
Converted to common shares	-	-	(559,600)	(259,040)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Share issue costs	-	(1,312)	-	(160,551)
Balance at end of year	<u>9,599,213</u>	<u>\$3,695,884</u>	<u>9,455,714</u>	<u>\$ 3,618,580</u>

NOTE 12 SHARE CAPITAL (continued)

Share issue costs are net of deferred taxes of \$130,309 (1997 - \$129,253).

Per share amounts are calculated based on the weighted average number of common shares outstanding for the years ended December 31, 1998 and 1997 of 9,551,700 and 8,399,800 respectively.

(c) Escrowed Shares

Under the requirements of the Alberta Securities Commission and Alberta Stock Exchange, 4,250,000 common shares were held in escrow at December 31, 1998. On January 12, 1999, 1,000,000 of these shares were released. The remaining shares will be released as follows:

January 12, 2000	1,000,000
January 12, 2001	1,000,000
January 12, 2002	1,250,000
	<u>3,250,000</u>

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

NOTE 12 SHARE CAPITAL (continued)

(d) Reserved for Issue

Contingencies

The Company has reserved 5,000,000 common shares with respects to the contingent consideration on the purchase of the geophysical software.

Warrants

(i) Series A

Each series A warrant was exercisable into one common share at a price of \$1.00 until May 31, 1997. Of the 555,700 warrants outstanding, 241,262 were converted to common shares before the expiry date.

(ii) Series B

Two series B warrants were exercisable into one common share at a price of \$1.50 until May 12, 1998. Of the 1,100,000 warrants outstanding, 343,800 were converted before the expiry date.

Stock Options

Commencing in 1997, the Company has a stock option plan under which the Board of Directors can grant options to purchase common shares to directors, officers, senior employees and consultants.

NOTE 12 SHARE CAPITAL (continued)

The Company has 867,335 stock options outstanding as follows:

	Number of Shares	Price Per Share	Expiration Date
Directors and Officers	505,001	\$ 0.50	May 12, 2002
Employees/Contractors	60,000	0.50	May 12, 2002
Employees	7,334	0.60	May 15, 2002
Contractors	30,000	0.75	May 15, 2002
Employees	15,000	2.33	November 17, 2002
Employees	4,000	2.05	December 1, 2002
Contractors	64,000	2.10	December 23, 2002
Employees	100,000	0.55	June 24, 2003
Employees	42,000	0.40	September 4, 2003
Directors and Officers	40,000	0.30	November 5, 2003

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1998 AND 1997

NOTE 13 INCOME TAXES

The Company's effective tax rate is determined as follows:

	1998	1997
Basic rate applied to pre-tax (loss) income (44.6%)	\$ (200,603)	83,700
Amortization of goodwill with no tax basis	27,100	22,100
Amortization of capital assets with no tax basis	14,450	2,500
Other	34,537	(2,367)
	<u>\$ (124,516)</u>	<u>105,933</u>

NOTE 14 RELATED PARTY TRANSACTIONS

During 1998, \$109,375 (1997 - \$75,000) was paid to a company controlled by a director in connection with management services provided by two officers of the Company, of which \$41,250 (1997 - \$30,000) has been included in deferred development costs and the remainder in operating expenses.

NOTE 15 CONTINUING OBLIGATIONS

The aggregate minimum payment in each of the next five years for the Company's premises leases excluding occupancy costs, are as follows:

1999	\$ 40,496
2000	48,089
2001	50,620
2002	50,620
2003	12,655
	<u>\$ 202,480</u>

The Company has agreed to pay a royalty equal to 6.5% of gross revenue of First Breaks Statics Inc. to the former shareholder under the terms of a contract ending August 31, 2001.

The Company has agreed to pay a company controlled by a director a royalty equal to 5% of revenues derived from certain geophysical software until March 31, 1999 and 3% thereafter. This royalty was waived for 1998.

NOTE 16 SUBSEQUENT EVENTS

Effective January 1, 1999, Syner-Seis Technologies Inc., EI Processing Inc., Exploration Innovations Inc., First Breaks Statics Inc., 400444 Alberta Limited and 593842 Alberta Inc. were amalgamated under the Business Corporations Act of Alberta to form Syner-Seis Technologies Inc.

SYNER-SEIS TECHNOLOGIES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 16 SUBSEQUENT EVENTS (continued)

The Company signed a letter of intent March 17, 1999 to acquire a privately-held company for consideration of \$335,000 comprised of cash and shares. As of the audit report date, the Company had not completed its due diligence and the acquisition had not been completed.

NOTE 17 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the year 2000 issue may be experienced before, on or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Corporate Information

Board of Directors

Dimitris Agouridis, President and Director
P. Dennis O'Brien, Chairman of the Board
Karima Kara, CMA, Secretary and Director
Robert A. Halpin, Director
Thomas E. Lewis, CA, Director
Laurie D. Wickwire, Director

Corporate Officers

Dimitris Agouridis, Chief Executive Officer
Karima Kara, Chief Financial Officer
P. Dennis O'Brien, Chief Operating Officer – U.S. Operations
Gary Baziuk, Chief Operating Officer – First Breaks Statics
Paul Chernoff, General Manager – EI Processing

Stock Exchange Listing

The Alberta Stock Exchange
SYMBOL: SYN

Legal Counsel

Shea Nerland Calnan, Barristers & Solicitors
1900, 705 – 5th Avenue, S.W.
Calgary, Alberta

Auditors

Barr Shelley Stuart, Chartered Accountants
600, 808 – 4th Avenue, S.W.
Calgary, Alberta

Registrar and Stock Transfer Agents

The Montreal Trust Company of Canada
600, 530 – 8th Avenue, S.W.
Calgary, Alberta

Corporate Office

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